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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF
OATMAN WATER COMPANY FOR AN
EMERGENCY RATE INCREASE.

DOCKET NO. W-01079A-00-0542

DECISION NO. 62953**OPINION AND ORDER**

DATE OF HEARING: September 6, 2000

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Jerry L. Rudibaugh

APPEARANCES: Mr. Steve Anderson, President, Americana Investments,
on behalf of Oatman Water Company; and

Mr. Devinti Williams, Staff Attorney, Legal Division,
on behalf of the Utilities Division of the Arizona
Corporation Commission.

BY THE COMMISSION:

On July 26, 2000, Oatman Water Company ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an emergency rate increase of \$0.00923 per gallon or \$6.92 per 750 gallons.

Our August 7, 2000 Procedural Order scheduled a hearing on the matter to determine if an emergency existed that would require the relief requested by Applicant. Pursuant to the August 7, 2000 Procedural Order, the Company provided notice to each customer by mailing and posting a copy of the notice in a public place so that the Company's customers were aware of the proceeding.

On September 6, 2000, a full public hearing was commenced before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. A representative of the Company entered an appearance and the Utilities Division Staff ("Staff") of the Commission appeared with counsel. No customers of the Company appeared to make public comment¹. After a

¹ Staff did receive a petition signed by approximately 50 customers opposing the application.

1 full public hearing, the matter was taken under advisement pending submission of a Recommended
2 Opinion and Order to the Commission.

3 DISCUSSION

4 The Company provides water utility service to the community of Oatman, Arizona
5 ("Oatman"). Oatman is located approximately equal distance between Needles, California and
6 Kingman, Arizona on old Highway Route 66. It came into existence because of the gold found there
7 in the late 1800's. There were several gold mines operating in full force in the early 1900's including
8 the Tom Reed Gold Mine ("Mine"). The Mine needed water both for its operation and for its
9 employees. As a result, the Mine searched around the local mountains and found several springs.
10 Originally, the spring water was brought into town by mule-drawn wagons.

11 In 1964, Applicant purchased the Mine and as part of the purchase was obligated to take the
12 water system. Pursuant to Decision No. 35579-A, dated December 24, 1964, Applicant was granted
13 a Certificate of Convenience and Necessity ("CC&N") to provide water utility service in the Oatman
14 area. Applicant did express a desire to discontinue service in 1979, however, Applicant was ordered
15 by the Commission in Decision No. 51629, dated December 3, 1980, to continue providing service.
16 In late 1989, Applicant filed an application requesting approval to abandon or discontinue public
17 utility service. The Commission, in Decision No. 56869, dated June 6, 1990, found that it was not in
18 the "public interest" to permit Applicant to abandon its system.

19 At the beginning of April 2000, the Company's primary well production had decreased from
20 pumping eighteen gallons per minute down to five gallons per minute. This necessitated the
21 Company to haul water to meet customer demands. On or about April 17, 2000, the well became
22 completely inoperable when a bailer became stuck during an attempt to clean the casing. The well
23 was returned to service on or about May 7, 2000 at which time it was pumping approximately 13
24 gallons per minute. On May 12, 2000, Applicant filed a request for an emergency rate increase of one
25 cent per gallon of water to cover the cost of hauling water. The Commission in Decision No. 62772,
26 dated August 2, 2000, concluded the Company was entitled to emergency rate relief in order to
27 recover the sum of \$9,027 for water hauling. The recovery was by means of a surcharge of a \$1.63
28 per 750 gallons to be paid over a period of 12 months.

1 On July 26, 2000, the Company filed a second application for an emergency rate increase.
2 The second request was for an additional \$6.92 per 750 gallons. At the hearing, the Company
3 modified its application and requested an additional \$5.84 per 750 gallons over the already approved
4 \$1.63 per 750 gallons. According to the Company, its primary well was pumping 13 gallons per
5 minute at the time of the June 8, 2000 hearing. Subsequent to that hearing, the Company indicated
6 the aquifer has declined and the primary well is only pumping three gallons per minute, which is
7 approximately one-third of the monthly demand. The Company does anticipate the demand to go
8 down as the use of swamp coolers is reduced. For the months of June, July and August of 2000, the
9 Company indicated it incurred water-hauling costs of \$13,600 of which it still owed \$6,800.

10 The Company has applied for loans from the water infrastructure financing authority
11 ("WIFA") in the amount of \$165,000 to buy a water truck and to drill two new wells. While WIFA
12 approved the loans, the Company allowed them to lapse and subsequently has reapplied to WIFA.
13 The Company also indicated they expected to have a permanent rate application filed by the end of
14 September 2000. The Company did acknowledge that it had been negligent for not previously
15 coming in for a permanent solution.

16 Staff opposed the request since the Company had already received an emergency increase
17 pursuant to Decision No. 62772. Staff opined that emergency rate relief should not be used as a
18 substitute for permanent rate relief for which this Company has not applied in almost twenty years.
19 Staff was also critical of the Company for not coming in earlier for approval of the WIFA loans and
20 permanent rates to finance such loans.

21 Clearly, the Company has been slow in proposing a long-term solution to its water production
22 problems. However, it is a small company and it is struggling to maintain service pending a
23 permanent rate determination. As a result, we find that it does meet the conditions for additional
24 interim or emergency rates. We shall approve an additional interim surcharge of \$1.64² per 750
25 gallons to cover the outstanding balance of \$6,800 owed by the Company for water-hauling up
26 through August 2000. This will bring the total interim surcharge to \$3.27 per 750 gallons. This

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28 ² The \$1.64 was calculated on a nine month basis so that both surcharges would be fully collected by August 1, 2001.

1 additional surcharge is conditional on the Company filing a permanent rate application within ten
2 days of the date of this Decision.

3 * * * * *

4 Having considered the entire record herein and being fully advised in the premises, the
5 Commission finds, concludes, and orders that:

6 **FINDINGS OF FACT**

7 1. Pursuant to authority granted by the Commission, Applicant provides public water
8 utility service to approximately 140 customers in Oatman, Mojave County, Arizona.

9 2. In April of 2000, the Company's primary well which had previously pumped up to
10 eighteen gallons per minute, declined to less than five gallons per minute.

11 3. Applicant's primary well was failing to produce sufficient water to meet its customers
12 needs due to a decrease in the water table and a clogged well casing related to high mineral content of
13 the water in the Oatman area.

14 4. On or about April 17, 2000, the well became completely inoperable when a bailer
15 became stuck during an attempt to clean the casing.

16 5. The well was returned to service on or about May 7, 2000 at which time it was
17 pumping approximately 13 gallons per minute.

18 6. Applicant's primary well, office and storage facilities are leased from a related entity,
19 Black Eagle Investments, for six hundred dollars a month.³

20 7. On May 12, 2000, Applicant filed an application which requested the Commission
21 approve an emergency rate increase of one cent per gallon of water to cover the cost of hauling water
22 because its primary well was nearly inoperable.

23 8. On June 8, 2000, a hearing was held on the emergency rate increase request of one
24 cent per gallon.

25 9. On July 26, 2000, the Company filed a second application for an emergency rate
26 increase of \$6.92 per 750 gallons.

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28 ³ Applicant also has access to a second well that it leases from the Oatman Fire Department; however, it produces only approximately one gallon per minute.

1 10. The Commission in Decision No. 62772, dated August 2, 2000, granted the Company
2 an emergency rate increase of \$1.63 per 750 gallons for a period of 12 months.

3 11. Pursuant to our August 7, 2000 Procedural Order, the Company provided notice to its
4 customers of the second emergency rate application as well as the hearing date of September 6, 2000.

5 12. On September 6, 2000, a hearing was held on the Company's second application.

6 13. At the hearing, the Company modified its application and requested an additional
7 \$5.84 per 750 gallons over the already approved \$1.63 per 750 gallons.

8 14. According to the Company, the primary well was pumping 13 gallons per minute at
9 the time of the June 8, 2000 hearing.

10 15. Subsequent to the June 8, 2000 hearing, the Company indicated the aquifer declined
11 and the primary well was only pumping three gallons per minute, which is approximately one-third of
12 the monthly demand on the system.

13 16. The Company incurred water-hauling costs of \$13,600 for the months of June, July,
14 and August of 2000.

15 17. The Company still owes \$6,800 for the water hauling costs for the months of June,
16 July, and August of 2000.

17 18. The Company has applied for loans from WIFA in the amount of \$165,000 to buy a
18 water truck and to drill two new wells.

19 19. While WIFA approved the requested loans, the Company allowed them to lapse.

20 20. The Company has reapplied to WIFA for the loans.

21 21. The Company has not filed a permanent rate application for approximately 20 years.

22 22. The Company indicated it would be filing a permanent rate application by the end of
23 September 2000.

24 23. The Company is struggling to maintain service pending a permanent rate
25 determination.

26 CONCLUSIONS OF LAW

27 1. The Company is a public service corporation within the meaning of Article XV of the
28 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

3 3. Notice of the application was provided in the manner described by law.

4 4. Applicant is facing an “emergency” within the definition set forth in Attorney General
5 Opinion No. 71-17.

6 5. An emergency surcharge requested herein to recover \$6,800 is just and reasonable and
7 should be approved subject to the conditions set forth herein.

8 6. Applicant should file within ten days of the date of this Decision, an application for
9 permanent rate relief.

10 ORDER

11 IT IS THEREFORE ORDERED that the application of Oatman Water Company for
12 emergency rate relief in order to recover the sum of \$6,800 expended for water hauling be, and is
13 hereby, approved subject to the conditions set forth herein.

14 IT IS FURTHER ORDERED that the surcharge approved herein shall be interim and subject
15 to refund pending the review by Staff of a permanent rate application.

16 IT IS FURTHER ORDERED that Oatman Water Company shall file on or before November
17 1, 2000, a tariff authorizing it to collect a total surcharge of \$3.27⁴ per 750 gallons emergency
18 surcharge up through July 2001 or until further Order of this Commission, whichever occurs earlier.

19 IT IS FURTHER ORDERED that the surcharge authorized hearing shall be effective for all
20 service provided on and after November 1, 2000 until the expiration date.

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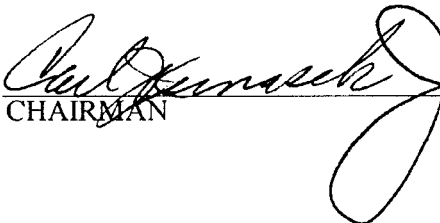
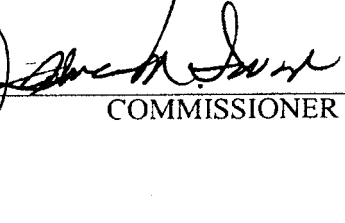

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28 Includes the previously approved \$1.63 pursuant to Decision No. 62772.

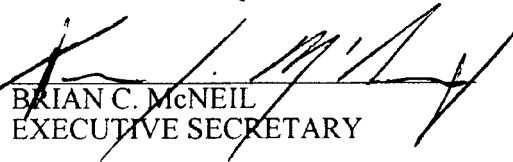
IT IS FURTHER ORDERED that the surcharge granted herein is subject to the condition that Oatman Water Company shall file, within ten days of the date of this Decision, a permanent rate application.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

  
CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 04 day of October, 2000.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
JLR:dap

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